



## Neighborhood Stabilization Program (NSP)



October 16, 2008

Public Meeting



## What is the NSP?

- Senate adopted the Housing & Economic Recovery Act (HERA) of 2008 (July)
- Title III of HERA identified \$3.92b for the Neighborhood Stabilization Program
- NSP to purchase foreclosed or abandoned homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes
  - All states receive funding
  - Entitlement communities with greatest need
    - Chula Vista identified to receive \$2.8m

## It is not....

- Funds to assist foreclosure prevention
  - Title IV of HERA - Neighborhood Reinvestment Corporation
  - Identified foreclosure mitigation measures to assist homeowners "at risk"



## Important Facts

- Funding considered special allocation of 2008 Community Development Block Grant (CDBG) funds
- HUD Amendment to Action Plan by December 1, 2008 (or risk losing funds)
  - City's program for obligating NSP funds within 18 months
  - Greatest need identified by data
- 15 day public review period starting November 15, 2008



## Schedule

- **Friday, October 10<sup>th</sup>** – HUD NSP Staff Training
- **Thursday, October 16<sup>th</sup>** from 3:00 - 4:00 p.m. - Public meeting regarding NSP funds in the Police Department Community Room
- **Thursday, October 30<sup>th</sup>** - San Diego County Neighborhood Stabilization Summit at the University of San Diego and sponsored by the Federal Reserve Bank of San Francisco, the FDIC, the Office of the Comptroller of the Currency and a local San Diego taskforce
- **Thursday, November 13<sup>th</sup>** from 3:30 – 5:00 p.m. - Housing Advisory Commission in the Executive Conference Room C101
- **Thursday, November 13<sup>th</sup>** at 6:00 p.m. - Chula Vista Redevelopment Corporation in Council Chambers
- **Friday, November 14<sup>th</sup> through November 30<sup>th</sup>** – Public review period for Action Plan Amendment
- **Tuesday, November 18<sup>th</sup>** – City Council Public Hearing
- **Monday, December 1<sup>st</sup>** – Amended CDBG Action Plan for NSP funds sent HUD (to meet December 1<sup>st</sup> submittal deadline)



## Local NSP Targeting

- Must target to areas of greatest needs due to foreclosure crisis
  - Delinquencies
  - Subprime Mortgages
  - Foreclosures
  - Vacancies
- Data efforts underway, collected to date:
  - RealtyTrac.com
  - Federal Financial Institutions Examination Council (FFIEC)
    - Home Mortgage Disclosure Act (HMDA)
    - Community Reinvestment Act (CRA)
  - Residential Abandoned Properties (RAP)
    - CVMC Ordinance requiring registry of foreclosed properties
      - Database of RAP registered & outstanding complaints

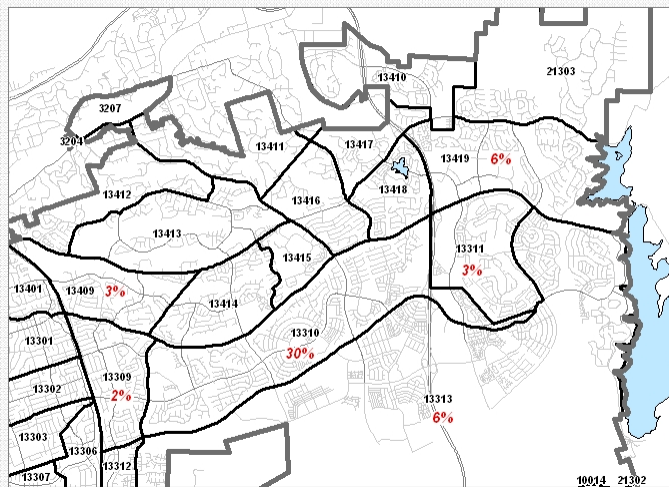
## RealtyTrac.com

Zip Code	Bank Owned	Pre-Foreclosure	Auction	Re-Sale
91910	470	391	144	42
91911	582	427	169	42
91913	917	642	299	78
91914	229	192	62	18
91915	589	449	165	38

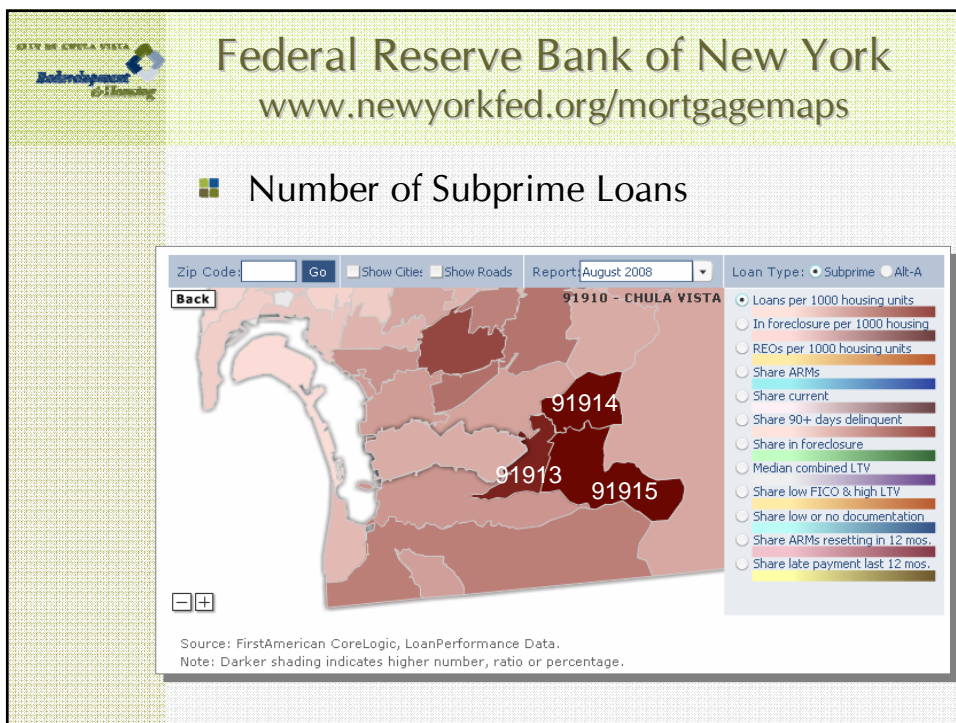
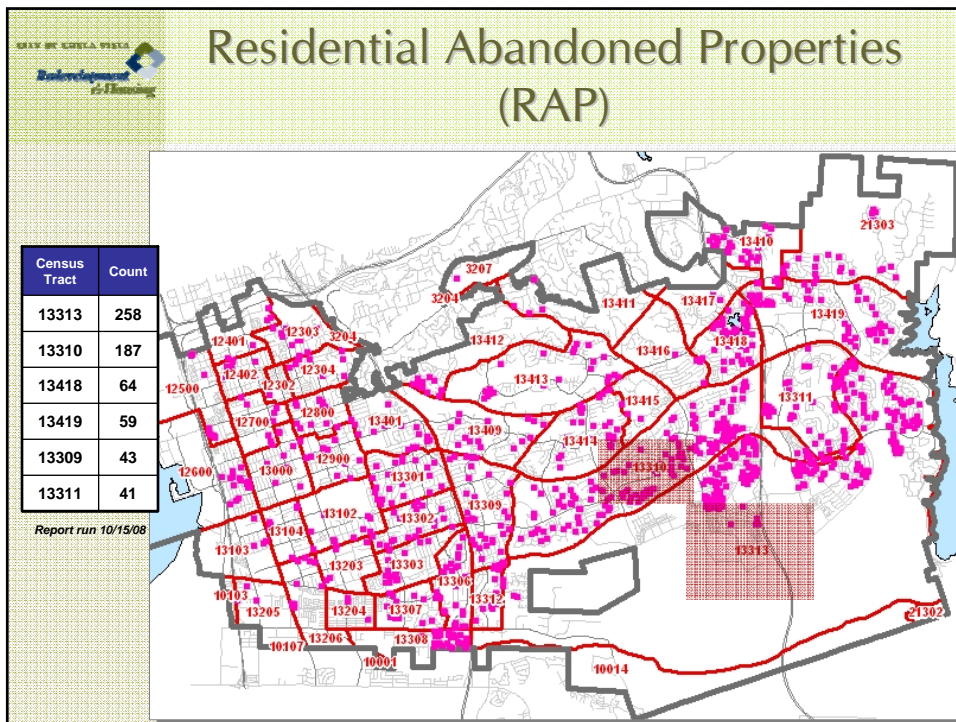
Report Run 10/16/2008

# Federal Financial Institutions Examination Council (FFIEC)

## Vacancies by Census Tract



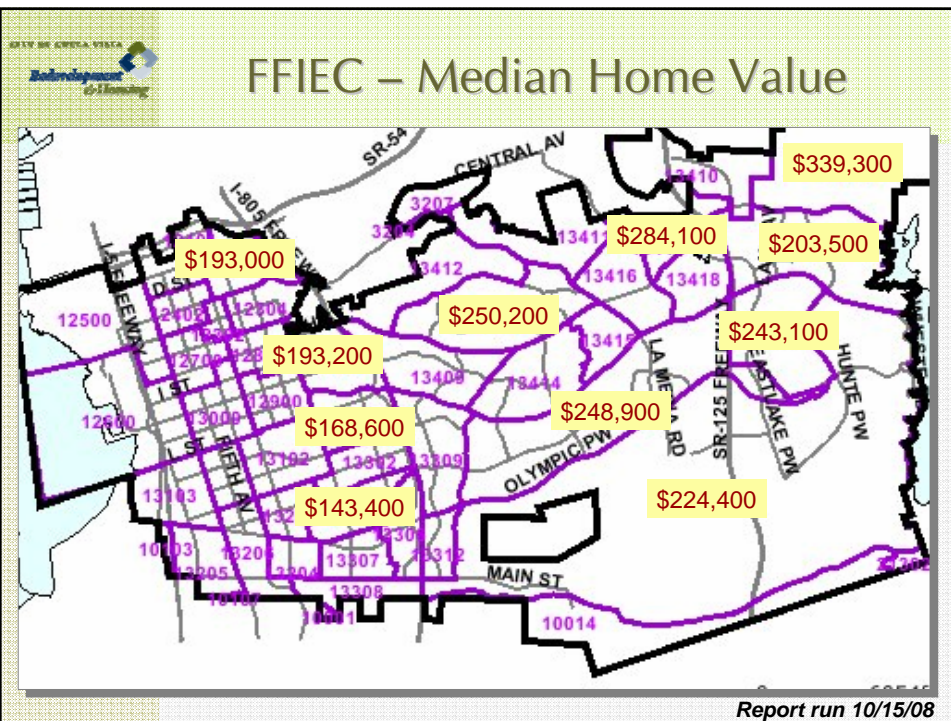
Report Run 10/15/2008





## Additional Data Queries

- Delinquencies
- Days on Market



## NSP Allocation Requirements

- All funds must serve households less than 120 Percent of Area Median Income (AMI)
- 25% of funds must go to serve individuals or households less than 50% AMI

## Chula Vista Allocation

NSP Allocation	<b>\$2,830,072</b>
10% Administration (4 yrs.)	\$ 283,007
25% of 50% AMI	<u>\$ 707,518</u>
Less than 120%AMI	<b>\$1,839,546</b>



## 50% AMI (25% of NSP Funds - \$707,518) Targeted Responsibilities

- Very low-income not in position to purchase
- Create rental opportunities
  - New construction or conversion
  - Acquisition &/or rehab
  - Affordable rents & affordability period
- Leverage other sources of funds



## Less than 120% AMI (\$1,839,546) Targeted Responsibilities

- Homebuyer financing mechanisms (e.g. soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers)
- Purchase and rehabilitation, in order to sell, rent, or redevelop
- Establishing land banks
- Demolition of blighted structures





## Homebuyer Financing Mechanisms

### Advantages

- Leveraging other resources (buyer's first mortgage)
- Existing Downpayment & Closing Cost Assistance Program
- Address largest number of properties

### Difficulties

- May not get repayment
  - current program is equity share based first 10 years and forgiven after 15 years
- Must purchase at 5% discount



## Allocation Sample for DCCA (\$1,839,546)

	DCCA 50-80% AMI \$70,000.00	DCCA 80-120% AMI \$40,000.00
# of Families	26	0
Allocation (100/0)	\$1,839,546.80	\$0.00
# of Families	20	11
Allocation (75/25)	\$1,379,660.10	\$459,886.70
# of Families	13	23
Allocation (50/50)	\$919,773.40	\$919,773.40
# of Families	7	34
Allocation (25/75)	\$459,886.70	\$1,379,660.10
# of Families	0	46
Allocation (0/100)	\$0.00	\$1,839,546.80



## City Purchase & Rehabilitate

### Advantages

- Quick way to take properties off market
- Leverage funding (e.g. non-profits)

### Difficulties

- Program income repayment required after 2013
- Property management issues
- Limited number of properties affected
- Rental affordability restrictions
- Re-use difficult [subject to Uniform Relocation Act (URA)]



## Establish Land Banks

### Advantages

- May be able to negotiate with banks for multiple properties
- Regional leveraging possibilities

### Difficulties

- Program income repayment required after 2013
- Property management issues
- Cannot hold onto properties beyond 10 years without redevelopment plan
- Limited number of properties affected
- HUD “does not believe the benefits of just holding property are sufficient to stabilize most neighborhoods..”



## Demolish Blighted Properties

### Advantages

- Take “problem” properties out of stock

### Difficulties

- Program income repayment required after 2013
- City would have to property manage or contract
- Limited number of properties affected



## Staff Recommendation

- Acquisition and rehabilitation for 50% AMI
- DCCA for 120% AMI and below

## Next Steps

- **Thursday, October 30<sup>th</sup>** - San Diego County Neighborhood Stabilization Summit at the University of San Diego and sponsored by the Federal Reserve Bank of San Francisco, the FDIC, the Office of the Comptroller of the Currency and a local San Diego taskforce
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